

# MEDICAREMATTERS

Special Edition II

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## FINAL RULES PROVIDE NEW HELP WITH DRUG COSTS, IMPROVE MEDICARE HEALTH PLANS, AND ESTABLISH OPTIONS FOR RETIREES

### BACKGROUND

For Medicare beneficiaries, two key provisions of the **Medicare Modernization Act (MMA)** are the new prescription drug benefit and the enhanced health plan choices in Medicare Advantage. Those who choose a Medicare Advantage plan can get drug benefits as part of their overall health plan, allowing the plans to better coordinate beneficiaries' medical care and drug coverage. Retirees who currently receive health and drug coverage from their former employers or unions will continue to receive assistance with their drug costs. The rules create new regional **Medicare Advantage Preferred Provider Organizations (PPOs)** as an additional choice for Medicare beneficiaries beginning on Jan. 1, 2006. These provisions were finalized on January 14, 2005.



### Medicare Drug Benefit for 2006

#### Standard Benefit

Medicare beneficiaries will have access to the standard drug benefit below:

- A monthly premium estimated on average to be about \$37
- An annual deductible of \$250
- Coinsurance of 25 percent (or cost sharing on average equal to coinsurance of 25 percent) up to an initial coverage limit of \$2,250
- Protection against high out-of-pocket prescription drug costs, with co-pays of \$2 for generics and preferred multiple source drugs and \$5 for all other drugs, or 5 percent of the price, once the enrollee's out-of-pocket spending reaches a limit of \$3,600

Although drug plan sponsors may change some of the specifications, the benefit offered must at least be equal in value to the standard benefit.

#### Low-Income Benefit

For beneficiaries with limited savings and incomes below 135 percent of the Federal poverty line (which in 2004 was \$12,569 for individuals; \$16,862 for couples), the new benefits will include:

- A \$0 deductible
- A \$0 premium

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- Continuation of coverage beyond the initial coverage limit of \$2,250
- Co-pays of \$2 for generics and preferred multiple source drugs and \$5 for all other drugs, up to the out-of-pocket limit
- \$0 co-pay for all prescriptions once the out-of-pocket limit is reached

For beneficiaries with limited savings and incomes below 150 percent of the Federal poverty level (which in 2004 was \$13,965 for individuals; \$18,735 for couples), the new benefits will include:

- A sliding scale monthly premium that would average \$18 for beneficiaries with incomes between 135 and 150 percent of the Federal poverty level
- An annual \$50 deductible
- Continuation of coverage beyond the initial coverage limit of \$2,250
- Coinsurance of 15 percent up to the out-of-pocket limit. (The government subsidy for cost-sharing counts toward the out-of-pocket limit)
- Copays of \$2 for generic drugs and preferred drugs that are multiple source drugs or \$5 for all other drugs once the out-of-pocket limit is reached

### Improved Health Care Choices for Beneficiaries in Rural Areas

The **Medicare Modernization Act (MMA)** made many changes to the Medicare Program that will help beneficiaries in rural areas. CMS announced the establishment of 26 Medicare Advantage regions for the new regional PPOs to participate in throughout the country. The regions have been designed to maximize access to plans and providers especially for beneficiaries in rural areas who have traditionally had fewer Medicare plans from which to choose. The regional maps were released on Dec. 6, 2004, and can be found at <http://www.cms.hhs.gov/medicarereform/mmaregions>.

## SPECIAL DATES FOR MEDICARE BENEFICIARIES

### JANUARY 2005

Starting January 1, there are several new ways to stay healthy and independent with our **Medicare Prevention and Screening Services**:

- "Welcome to Medicare" Physical Exam
- Cholesterol and Cardiovascular Screening
- Diabetes Screening

### OCTOBER 2005

Your **"Medicare & You"** Handbook will arrive in the mail. People who have retiree health benefits should watch the mail for information from their former employer or union.

Starting October 13, you can compare the benefits from **Medicare Prescription Drug Plans**. Visit [www.medicare.gov](http://www.medicare.gov), or call **1-800-MEDICARE**.

### NOVEMBER 2005

**Starting November 15, you can enroll in the Medicare Drug Plan that's right for you.**

**Additional information for people with low-income will be in an upcoming Medicare Matters.**



### MEDICARE MATTERS

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### MEDICARE ISSUE OF THE DAY

The **Medicare Issue of the Day** is a new series designed to introduce and explain the **Medicare Prescription Drug, Improvement and Modernization Act of 2003**. These daily fact sheets will cover important new provisions of this legislation. Find them at:

[www.cms.hhs.gov/medicarereform/issueoftheday](http://www.cms.hhs.gov/medicarereform/issueoftheday)